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FCC Mail Room

December 21, 2007

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**Re: Implementation of the Pay Telephone Reclassification and  
Compensation Provisions of the Telecommunications Act of 1996,  
CC Docket No. 96-128**

Dear Ms. Dortch:

Attached please find IDT Telecom's payphone compensation compliance report which we have prepared. IDT Telecom is required to conduct and submit a payphone compensation audit and report to the FCC per the requirements of 47 C.F.R. Section 64.1310, as discussed in the FCC Report and Order released on October 3, 2003 in the above docket. Please let me know if you have any questions.

Sincerely,

Joe Solana  
Managing Partner

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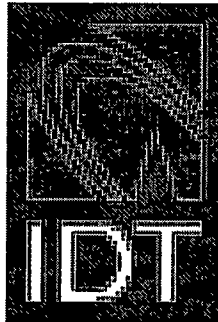


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## IDT Telecom Inc.

Independent Auditor's System Report

For Payphone Compensation

As required by FCC Order 03-235

Docket No. 96-128

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1200 Old Alpharetta Road  
Alpharetta, GA 30005

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Business Partners & CPA's

# Independent Auditor's Report

## System Audit Report

Board of Directors  
IDT Telecom, Inc.

We have examined IDT Telecom, Inc.'s ("IDT Telecom" or "IDT") call tracking systems for payphone calls in compliance with FCC Order 03-235, Docket No 96-128, for the period Q2 2007. Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on IDT's compliance based on our examination.

Our examination included procedures to obtain reasonable assurance about whether the controls included in our audit were suitably designed to achieve the control objectives namely that IDT's call tracking system accurately tracks payphone calls to completion and that it satisfactorily complied with and applied these controls and such controls will be placed in operation consistently in the future.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the company's compliance with specified requirements.

In our opinion, IDT Telecom complied, in all material respects, with the aforementioned requirements for the period mentioned through September 30, 2007. The company has sufficient controls in place to provide reasonable assurance to achieve the control objectives namely that the call tracking system accurately tracks payphone calls to completion.

The description of policies & procedures concerning PAYPHONE COMPENSATION at IDT Telecom as of September 30, 2007, as well as information concerning tests of the operating effectiveness and payments made includes the period of Q2 2007. Future projection of such information is subject to the inherent risk that, because of change, the description may no longer portray those procedures in existence. The potential effectiveness of specific controls is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that, (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for the information and use of IDT Telecom, and is not intended to be and should not be used by anyone other than the specified party.

GSA Associates

*GSA Associates, CPAs*

December 1, 2007

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Alpharetta, GA 30005

## **Overview of System Audit Requirements**

This System Audit Report covers FCC Order (03-235, Docket No 96-128), effective July 1, 2004, requiring Interexchange Carriers (IXC's), LEC's, CLEC's and Switch Based Resellers et. al. Carriers, to establish and maintain a comprehensive Call Tracking System (CTS) which accurately reports and compensates Payphone Service Providers (PSP's).

The Order calls for an independent third party audit report in conformity with AICPA standards. The independent auditor's report shall conclude whether the CARRIER complied, in all material respects, with the factors set forth (below) regarding the CTS as follows:

- 1) Whether the Carrier's procedures accurately reflect the Commission's rules, including the attestation reporting requirements.
- 2) Whether the CARRIER has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls.
- 3) Whether the CARRIER has effective data monitoring procedures.
- 4) Whether the CARRIER adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability.
- 5) Whether the CARRIER has created a compensable payphone call file by matching call detail records against payphone identifiers.
- 6) Whether the CARRIER has procedures to incorporate call data into required reports.
- 7) Whether the CARRIER has implemented procedures and controls needed to resolve disputes.
- 8) Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial, and
- 9) Whether the Carrier's have adequate and effective business rules for implementing and paying payphone compensation.

## Audit Process & Procedures

Our audit reports on all nine (9) points listed in the order. The guidelines used to conduct and prepare the report are established in the AICPA's Statements on Standards for Attestation Engagements (SSAE), specifically, SSAE 10, AT Section 101 *Attest Engagements* and AT Section 601 *Compliance Attestation*.

Those standards required that we:

- 1) Have adequate technical training and proficiency in the attest function.
- 2) Perform the attest function using practitioners having adequate knowledge of the subject matter.
- 3) Evaluate the subject matter against suitable criteria such as:
  - a) *Objectivity* – free of bias
  - b) *Measurability* – reasonable consistent measurements, qualitative or quantitative, of subject matter.
  - c) *Completeness* – sufficiently complete so that relevant factors that would alter a conclusion about subject matter are not omitted.
  - d) *Relevance* – criteria relevant to the subject matter.
- 4) Maintain an Independence mental attitude in all matters relating to the engagement.
- 5) Exercise Due professional care in the planning and performance of the engagement.
- 6) Obtain sufficient evidence to provide reasonable basis for our conclusion expressed in the report.

Because IDT has engaged a clearinghouse for processing compensation to the PSP's, factors six (6) and seven (7) in their entirety and eight (8) and nine (9) collectively of the Order are subject to the AICPA's Statement on Auditing Standards (SAS) 70 – Reports on Processing of Transactions by Service Organizations. The clearing house is required to engage an auditor to issue a compliant report regarding the four (4) factors of the Order mentioned above. That report is included herein and is hereby made part of our report. However, it is important to mention that the use of a clearinghouse does not remove responsibility from the company for all points of the order.

### ***PAYPHONE COMPENSATION Policies & Procedures***

IDT has established and documented policies & procedures specifically in compliance with the Payphone Compensation FCC order. These include, but are not limited to:

1. Backup Policy
2. Core Security / Critical Data Requirements Policy
3. Defect Tracking Process
4. Software Quality Testing Process
5. Change Control Policy
6. Host / Server Security Policy
7. Password Policy
8. Log Tracking & Archive Process
9. Physical Security Policy
10. Information Access Control Policy
11. Monitoring Policy
12. Firewall Policy

### ***Responsible Dedicated Staff***

IDT has dedicated staff responsible for tracking, compensating, reporting and resolving disputes concerning completed calls as follows:

1. Carl W. Billek, Senior Regulatory Counsel is responsible for drafting necessary business requirements.
2. The Director Operations Support Systems, Frank Schmidt, is responsible for developing & maintaining systems to create payphone call records from switch records.
3. The CNS Operations Manager, Craig Brill is responsible for implementing & maintaining procedures that check the validity of identified payphone records.
4. The Associate VP of Telecom Finance, Mark Rabizadeh, is responsible for implementing & maintaining procedures that create final compensation data sets.
5. The Reporting Analyst, Mindy Zimmerman, is responsible for developing compensation tracking reports.
6. The Associate VP of Telecom Finance, Mark Rabizadeh is responsible for dispute resolutions.

### ***Data Monitoring Procedures***

IDT has developed a systematic reporting process to generate monthly and quarterly reports on payphone call counts, PSP identities, numbers called, and info digits used.

These reports reflect:

- a) Trends of switch traffic volumes entering their payphone compensation systems.
- b) Possible fraud on potential illegitimate payphone calls.
- c) Trends of excluded calls.
- d) The capability to develop customized reports to help resolve disputes.
- e) Capacity for other appropriate trending reports.

### ***Compensation Assurance Protocols***

IDT has established procedures which guarantee that the company will remain in compliance with current FCC requirements. These procedures ensure that software, personnel, or any other network changes or additions to the payphone compensation process are done in accordance with guidelines and approvals documented in aforementioned procedure section and do not adversely affect its call tracking capabilities.

### ***Compensable Call File and Reporting***

IDT pulls all data directly from Carrier and Company CDR and prepares online reports for utilization in the compensation process. GSASSOCIATES determined that this file contained all the necessary data to perform the ANI match and to prepare detailed reports for compensation to each separate PSP or Aggregator.

### ***Dispute Resolution Procedures***

IDT has assigned their Associate VP of Telecom Finance, Mark Rabizadeh, as the individual responsible for processing payments to PSP's and aggregators and for managing the in house payphone compensation system.



## **Compensation Verification**

GSAssociates has determined that IDT has properly compensated PSPs through the second quarter of 2007. This was verified through a review of the Compensation files provided by their billing consolidator Billing Concepts.

## **Audit Conclusions**

### ***FCC Relevant Rules Accurately Stated***

IDT has established, defined, and documented in accordance with relevant FCC Rules each of the following:

- Per-call rate.
- Per-phone requirements.
- Calls included as compensable calls
- Definition of completed call.
- Reporting requirements.
- Late payments per IRS overpayment rate.
- Data Storage Requirements.

### ***Established Security Protocols***

IDT has implemented security protocols to limit access to call tracking systems in a controlled environment to authorized personnel.

Monitoring tracking systems have been installed to limit access to the company's call tracking system.

Access to compensation systems is controlled and monitored as well as limited to authorized personnel through security measures which have been implemented.

### ***Audit Findings***

IDT Telecom is a provider of telecommunications services worldwide through both retail and wholesale channels. Headquartered in Newark, New Jersey, IDT has provided services to residential and non-residential customers worldwide since beginning operations in 1990. GSAssociates audited and validated payments made through Q2 of 2007. The Company is in compliance for the period audited and compensation has been appropriately made to the PSP's or aggregators for the period.

## Appendix #1 – BCI SAS 70



**PADGETT, STRATEMANN & CO., L.L.P.**  
Certified Public Accountants and Business Advisors

### Independent Service Auditors' Report

To the Board of Directors  
Billing Concepts, Inc.  
San Antonio, Texas

We have examined the accompanying description of the controls of Billing Concepts, Inc. ("BCI") applicable to recordkeeping, reporting, and payment services provided to its clients by the Dial Around Compensation ("DAC") Team of BCI. Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of BCI's controls as it relates to DAC; (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and user organizations applied those aspects of internal control contemplated in the design of BCI's controls; and (3) such controls had been placed in operation as of March 31, 2007. The control objectives were specified by the management of BCI. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

In our opinion, the accompanying description of the aforementioned controls of BCI, presents fairly, in all material respects, the relevant aspects of BCI's controls that have been placed in operation as of March 31, 2007. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and user organizations applied those aspects of internal control contemplated in the design of BCI's controls.

In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specified controls, as listed in Section IV, to obtain evidence about their effectiveness in meeting the related control objectives during the period from April 1, 2006 to March 31, 2007. The specific control objectives; controls;

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and the nature, timing, extent, and results of the tests are listed in Section V. This information has been provided to DAC customers of BCI and to their auditors to be taken into consideration, along with information about BCI's customers' internal controls, when making assessments of control risk for BCI's customers. In our opinion, the controls that we tested (Section V) were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified in Section IV were achieved during the period from April 1, 2006 to March 31, 2007.

The relative effectiveness and significance of specific controls at BCI and their effect on assessments of control risk at BCI customers are dependent on their interaction with internal control, and other factors present at individual BCI customers. We have performed no procedures to evaluate the effectiveness of internal control at individual BCI customers.

The description of controls at BCI is as of March 31, 2007, and information about tests of the operating effectiveness covers the period from April 1, 2006 to March 31, 2007. Any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the system in existence. The potential effectiveness of specific controls at BCI is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for use by management of BCI, its DAC customers, and the independent auditors of such customers.

*Padgett, Stratumann & Co.*

Certified Public Accountants  
June 20, 2007